

From: "Alan Graff" <AGRAFF@firstpremier.com> on 10/08/2007 11:50:04 AM

Subject: Truth in Lending

RE: Docket No. R-1286, Proposed Rule to Amend Regulation Z.

Thank you for providing First PREMIER® Bank with the opportunity to provide its comments to the proposed revisions to the open-end credit (this is not home-secured) provisions of Regulation Z.

By way of introduction, First PREMIER Bank is an \$850 million community bank operating from 15 branches in South Dakota. In addition, First PREMIER Bank is the 10th largest issuer of Visa® and MasterCard® credit cards with a portfolio consisting of \$885 million in receivables and 3.5 million cardholders. First PREMIER Bank originates its credit cards through PREMIER Bankcard, LLC and primarily markets to the underserved non-prime market.

First PREMIER Bank compliments the Federal Reserve on its approach to revising the open-end credit disclosures. The stakeholders who benefit from the protections given by Regulation Z are in the best position to direct the most meaningful disclosures to fully understand the product they are considering or have accepted. In addition, this comprehensive overhaul of the open-end disclosure rules and credit practices serve the industry well by creating a uniform set of practices from which both issuers and examining bodies will rely. On the whole, First PREMIER Bank welcomes these proposed revisions which will serve to set a minimum standard for those creditors who are considering entrance into or expansion of the credit card issuing business, particularly those in the subprime market.

Because of the sweeping changes being proposed and the technological impact on banks and their software providers, the effective date should be at least 12 months after the final revisions are approved to allow for an orderly implementation. Many of the changes required to be implemented for compliance will require changes by our third party processor.

Our comments will be made on a section-by-section basis and will not respond to every issue, but only those in which First PREMIER Bank (FPB) has a strong opinion either for or in opposition to the proposal.

Credit Card Applications and Solicitations

Terms Required to be More Conspicuous Than Others: The proposal seeks comments on when the terms "finance charge" and "annual percentage rate" do not need to be more conspicuous than other terms. FPB agrees that these terms can be overemphasized and that guidance and safe harbor provisions are needed. One recommendation would be to require the term be made more conspicuous at least once or the first time it is used in a particular section or paragraph. This would eliminate repetitive emphasis, but would still draw the consumer's attention.

Subprime Accounts - Disclosures: FPB strongly agrees that issuers of cards where initial fees or security deposit consumes 25 percent or more of the available balance must disclose an example of available credit in the table. FPB has been providing this disclosure in its applications

and solicitations, but does not consistently find its competitors following the same practice. Even though the actual credit limit issued to a consumer may be more than the minimum credit limit, they will find the disclosure useful and will draw attention to the product and associated fees.

In addition, FPB believes that credit card accounts that meet the 25% threshold should have to display the fees for issuance or required security deposit first in the table instead of the APR. Consumers would benefit by conspicuously disclosing the cost of the credit account while still disclosing the APR lower in the table in minimum 18 point font.

Assessing Fees On An Account As Acceptance of the Account: FPB agrees with the proposal to clarify that acceptance of an account is not effective until the consumer makes a payment or uses the account. In addition to consumer initiated activity as acceptance of an account, we would recommend that the expiration of 30 days from receipt of the credit card also be included. Because a consumer may not make a payment when billed or use the account immediately, the issuer should be able to consider the account accepted after a 30 day period.

Account Opening Disclosures

Table Format Requirements for Open-End (not Home-secured) Plans: The proposal to require a table of significant terms, similar to, but not identical of those required at application, is supported by FPB. The table format has been long recognized as an effective disclosure tool for consumers and should be consistent for both application and account opening. FPB would recommend that the fees and components of the table be the same for both application and account opening to reduce confusion to the consumer and ease the burden on issuers.

How Charges are Disclosed: FPB strongly supports the notion that specifically defined fees be disclosed in a table format and all other fees may be disclosed by the issuer in a form and format as it chooses. The uncertainty of fee characterization can be confusing and often leads to overdisclosure by issuers as a path of least resistance. This proposed revision will create uniformity for issuers and better understanding of key product features for consumers.

Periodic Statements

Effective APR: FPB believes that the effective APR confuses customers as the Federal Reserve's testing has shown and should be eliminated. Regardless of the modifications made to improve understanding, consumers do not understand the differences between fees and finance charges and the corresponding APR's. Therefore, FPB believes conspicuous disclosure of fees assessed each statement period as proposed will provide better consumer awareness of fees than an APR which includes some, but not all fees.

Late Payments: The proposal to disclose the late payment fee and the penalty APR on the periodic statement may serve as a reminder to some consumers, but the need is questionable and is not supported by FPB. Most if not all consumers know that there is a penalty for not paying their loans on time and do not need a reminder. Also, there is not a similar requirement to remind consumers of other fees such as over-the-credit limit fees, non-sufficient fund fees or fees for transacting funds in a foreign currency. In addition, FPB believes that

adding late payment fees and the penalty APR to the periodic statement would only add to the numerous changes being made to the statement and actually aid in confusing the consumer.

Grace Period: The proposal requests comment whether the period in which a statement must be sent prior to the expiration of a grace period should be extended from the current 14 days. While FPB provides a grace period for purchases, not all issuers do the same and making any substantial change to the advance statement requirements may discourage issuers from offering a grace period. Therefore, FPB does not support any change to the current requirement.

Changes in Consumer's Interest Rate and Other Account Terms

Timing: The proposal to increase the notice of change in terms from 15 days to 45 days is not supported by FPB. While 15 days is less than most other regulations and most state laws, FPB believes that a 30 day advance notice would be consistent with regulations such as DD and many state laws. If a consumer is going to take any action as a result of a change in terms, 30 days is ample time to act.

Format: Dictating that certain term changes must be provided in a table format and in a specific location on the front of the statement is not supported by FPB. Creditors have been diligent in their efforts to notify consumer of change in account terms, thus no change is needed. In addition, there are operational barriers which make disclosure of change notices on the periodic statement impractical. For example, a customer with a zero balance does not produce a statement and the proposal would require forcing a statement which is costly. In addition, alternative notification vehicles are often used by issuers such as letters, inserts or postcards which would be restricted under the proposal. Finally, the operational burdens for issuers or third party processors to meet the technical formatting would be a substantial and would require significant time.

Advertisements

FPB supports the proposals

Other Disclosures and Protections

Reference to Board Web Site for Additional Information: The proposal suggests including a Board web site for supplemental information on credit cards. While an admirable concept, FPB does not support the proposal because of the following: First, if a consumer has access to the internet and is interested in additional information on credit cards, there are numerous resources available (e.g. Federal Trade Commission, etc.) without restricting to one website or resource. Second, the utilization of such a web site is contemplated to be low since it is unlikely that the decision to enter into a credit card arrangement will first be interrupted by accessing the Board web site.

In Conclusion:

First PREMIER Bank appreciates the opportunity to share its comments on the proposed amendments to the open-end provisions of Regulation Z. Consumers will be the greatest beneficiary of the proposed disclosure and credit practice changes, but significant benefits will also assist issuers and enforcement authorities with the consolidation of prior

interpretive guidance and uniformity of practices.

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